

MOVING TO WORK DEMONSTRATION AGREEMENT

This Agreement is entered into by and between the United States of America through the Department of Housing and Urban Development ("HUD") and the Housing Authority of Baltimore City (the "Agency"). The term of this Agreement shall begin on the Date of Execution by HUD and continue for seven (7) years, unless otherwise specified herein.

WHEREAS, Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. 104-134) (the "1996 Appropriations Act") establishes the Public Housing/Section 8 Moving to Work Demonstration program ("MTW"); and

WHEREAS, Section 204(a) of the 1996 Appropriations Act provides that public housing agencies ("PHAs") and the Secretary of the Department of Housing and Urban Development (the "Secretary") shall: have the flexibility to design and test various approaches for providing and administering housing assistance that reduce cost and achieve greater cost effectiveness in Federal expenditures; give incentives to families with children whose heads of household are either working, seeking work, or are participating in job training, educational or other programs that assist in obtaining employment and becoming economically self-sufficient; and increase housing choices for low-income families; and

WHEREAS, HUD may permit agencies to combine funds from several HUD programs, and may exempt agencies from existing public and Indian housing and Section 8 certificate and voucher rules under Moving to Work Demonstration authority; and

WHEREAS, the Secretary has the authority to select up to thirty (30) agencies that administer the public housing and Section 8 programs to participate in the Moving to Work demonstration program; and

WHEREAS, the Secretary has determined that the Agency's application satisfies the Secretary's selection criteria as set forth in the Notice of Moving to Work Demonstration program and invitation to apply, published December 18, 1996 (61 Fed. Reg. 66856), and selected the Agency to participate in the Moving to Work demonstration; and

WHEREAS, the parties have previously entered into one or more annual

contributions contracts ("the ACCs") setting forth the terms and conditions under which the Agency participates in the public housing and/or Section 8 certificate and voucher programs administered by HUD; and

WHEREAS, it is the aim of this demonstration to design and test innovative methods of providing housing and delivering services to low-income families in an efficient and cost effective manner, HUD and the Agency agree to fully cooperate with each other in order to make the MTW demonstration a success; and

WHEREAS, the parties desire to state the terms and conditions under which HUD will permit the Agency to participate in the Moving to Work Demonstration program as set forth in the Agency's HUD-approved Statement of Authorizations, attached hereto as Appendix. The Statement of Authorizations is hereby incorporated into this Agreement.

NOW, THEREFORE, in reliance upon and in consideration of the mutual representations and obligations hereunder, the parties do agree as follows:

ARTICLE I. HUD Program Requirements and Other Federal Requirements.

A. This Agreement supersedes the terms and conditions of the ACCs and the provisions of the United States Housing Act of 1937 (the "1937 Act") and HUD requirements to the extent necessary for the Agency to implement its MTW demonstration, as approved by HUD in this Agreement. All authorizations contained in this Agreement are for the length of the demonstration only, unless otherwise specified. Except as necessary to implement the Agency's activities described in the Statement of Authorizations, the Agency is subject to the requirements of the ACCs, the 1937 Act, and other HUD requirements. Notwithstanding anything in this Agreement, the following provisions of the 1937 Act, as otherwise applicable, shall continue to apply to the Agency and/or assistance received pursuant to the 1937 Act:

1. The terms "low-income families" and "very low-income families" shall continue to be defined by reference to Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2));

2. Section 18 of the 1937 Act (42 U.S.C. 1437p, as amended by Section 1002(d) of Public Law 104-19, Section 201(b)(1) of Public Law 104-134, and Section 201(b) of Public Law 104-202), governing demolition and disposition, shall continue to apply to public housing notwithstanding any use of the housing under MTW; and

3. Section 12 of the 1937 Act (42 U.S.C. 1437j), governing wage rates, shall apply to housing assisted under MTW unless tenant-based assistance is the only assistance received by participating families and the housing in which they reside receives no other assistance.

- B. To the extent described in the Statement of Authorizations, as applicable and as approved by HUD, the Agency may combine operating subsidies provided under Section 9 (e) of the 1937 Act (42 U.S.C. 1437g), capital funds provided under Section 9 (d) of the 1937 Act (42 U.S.C. 1437l) and assistance provided under Section 8 of the 1937 Act for the certificate and voucher programs (42 U.S.C. 1437f) to fund HUD approved MTW activities.
- C. Unless otherwise provided herein, this Agreement does not apply to Section 8 assistance that is required: (a) to meet existing contractual obligations of the Agency to a third party (such as Housing Assistance Payment contracts with owners under the Agency's Section 8 certificate and voucher program); (b) for payments to other PHAs under Section 8 portability billing procedures; or (c) to meet particular purposes for which HUD has expressly committed the assistance to the Agency.
- D. The Agency agrees to comply with HUD requirements governing the MTW program. Such HUD requirements include, but are not limited to management, financial, accounting, or other requirements designed to adequately track and monitor the Agency's use of HUD assistance. Notwithstanding other provisions of this Agreement, the Agency will be required to submit reports and financial statements as necessary in forms prescribed by HUD.
- E. The Agency agrees to cooperate fully with HUD and its contractors in the monitoring and evaluation of the MTW demonstration, to keep records and to submit reports and information to HUD as required of PHAs participating in the MTW program. Except as otherwise provided in this Agreement, the Agency shall submit an Annual Plan and Report as required by Section 5A of the 1937 Act (as amended), which shall include a separate section fully describing activities and uses of funding the Agency is undertaking through the MTW demonstration.
- F. Pursuant to the 1996 Appropriations Act, the amount of assistance that the Agency receives for public housing operating subsidies, public housing capital funds, and Section 8 assistance for certificates and vouchers will not be less than it would otherwise have been - if it were a non-MTW Agency.
- G. Any HUD assistance that the Agency is authorized to use in the MTW demonstration must be used in accordance with the Agency's HUD-approved Statement of Authorizations (Appendix). The Agency hereby certifies that the Agency's governing board has approved this Agreement, and that a copy of such board approval has been provided to HUD.
- H. As required by the 1996 Appropriations Act, the Agency agrees that at least seventy-five percent (75%) of the families assisted by the Agency under the MTW demonstration program will be very low-income families. The Agency agrees to comply with the requirements of Section 16(a) (3) of the 1937 Act (as amended). The Agency agrees to continue to assist

substantially the same number of eligible low-income families under MTW, and to maintain a comparable mix of families by family size, as would have been served or assisted if HUD funding sources had not been used under the MTW demonstration. The Agency agrees that housing assisted under MTW will meet housing quality standards established or approved by HUD.

- I. The Agency may adopt and implement any reasonable policies for setting rents for public housing, rent or subsidy levels for tenant-based assistance, policies that define Annual Income (including definitions of income exclusions and inclusions established by HUD under the 1937 Act, but not including definitions and exclusions mandated by other federal law or regulations) under an income based rent system and policies for determining utility allowances, notwithstanding the U.S. Housing Act of 1937, provided that the Agency submits the policy to HUD annually, and upon any material change to the policy, and provided that:
1. the Agency's board approves of the policy, and any material changes, and approves an analysis of the impact of the policy on current households, and households on the waiting list, including an analysis of the severity of rent burdens on such households (such as an estimate of the number of households that would have rent burdens greater than 30 percent of adjusted income);
 2. the Agency reevaluates its rent and subsidy level policies annually, including preparing a revised impact analysis;
 3. the Agency adopts a policy for addressing hardship cases;
 4. the Agency provides a reasonable transition period for rent increases for existing tenants; and,
 5. a public hearing is held regarding the policy; provided however, that in the first year of the demonstration, this may be the same public hearing that was held regarding the Agency's MTW application, as long as the policy was included in the MTW application.

The rent policy, or any material changes to the rent policy will be effective upon submission to HUD of a board resolution as provided above. In the first year of the MTW demonstration, this may be the same board resolution as that approving the MTW Agreement.

- J. If applicable to activities under the Statement of Authorizations, the Agency agrees to make reasonable efforts to obtain assumption of environmental review responsibilities by the local responsible entity under CFR 24 Part 58. The Agency's responsible entity is Baltimore, Maryland. Where review by the City or an alternative local responsible entity is not possible, the Agency agrees to provide HUD with any documentation that HUD needs to carry out its review under the National Environmental Policy Act (NEPA) and other related authorities and otherwise will assist HUD in complying with 24 CFR Part 50 environmental review procedures. The Agency further agrees (a) to carry out mitigating measures required by HUD or select an alternate eligible property, if permitted by HUD, and (b) not to acquire, rehabilitate, convert, lease, repair or construct property, or commit HUD or local funds to

program activities involving eligible property without HUD's approval under 24 CFR Part 50 or Part 58.

- K. The Agency will comply with all applicable nondiscrimination and equal opportunity requirements set forth in 24 CFR 5.105(a), and will administer its programs and activities in a manner affirmatively to further fair housing. In particular, the Agency must make reasonable modifications and accommodations needed by applicants and residents and must make units accessible in accordance with the Needs Assessment and Transition Plan as required under Section 504 of the Rehabilitation Act of 1973 and its implementing regulations.

ARTICLE II. Revision and Termination of Agency MTW Program

- A. With written HUD approval, this Agreement and the Statement of Authorizations may be revised by the Agency during the course of the demonstration. The Agency shall request approval of a revision by written notification to HUD (delivered to the Office of Public Housing Investments, or its successor, in the Office of Public and Indian Housing), accompanied by an approved board resolution, or equivalent, and certification that the Agency has satisfied all resident participation requirements. The Agency will provide a reasonable period within which residents may comment. The Agency will consider these comments prior to amending this Agreement. HUD will review the request and notify HABC of the results of any action on proposed amendments.
- B. HUD will cooperate with the Agency to extend successful demonstration activities beyond the term of the MTW demonstration where feasible. To the extent that MTW activities will not continue past the term of the demonstration, the Agency shall fully cooperate with HUD in developing and implementing a transition plan for terminating the Agency's MTW demonstration program and providing for the continued administration of the public housing and Section 8 programs, as applicable.
- C. At any time HUD may terminate this Agreement, and the Agency's MTW demonstration, or take any corrective or remedial action as described in Article III.C. of this Agreement, for Agency default, or other good cause as determined by HUD after providing the Agency with notice and a reasonable opportunity to be heard, unless HUD determines the nature of the default requires that HUD take immediate action.

ARTICLE III. Default.


- A. Definition of Default. Use of funds subject to this Agreement for a purpose other than as authorized by this Agreement; noncompliance with legislative, regulatory, or other requirements applicable to this Agreement; other material breach of this Agreement; or a material misrepresentation in the MTW Plan submission by the Agency shall be a default under this Agreement.

B. HUD's Determination of Default. If HUD determines that the Agency is in default, HUD will give the Agency written notice of the default and of the corrective or remedial action required or ordered by HUD.

C. Corrective or remedial actions HUD may require or order under this Agreement for Agency default include, but are not limited to the following:

1. Requiring the Agency to prepare and follow a HUD approved schedule of actions and/or a management plan for properly completing the activities approved under this Agreement;
2. Canceling or revising the affected activities, revising the budget for activities as necessary, and substituting other eligible activities;
3. Prohibiting payment or reimbursement for any MTW demonstration activities or for those activities affected by the default;
4. Requiring reimbursement by the Agency to HUD for amounts used improperly.
5. Terminating this Agreement;
6. Changing the method of payment to the Agency;
7. Suspending the Agency's authority to make draws or receive or use funds for affected activities;
8. Reducing the Agency's funding in the amount affected by the default;
9. Terminating the Agency's funding as to further activities under the MTW demonstration;
10. Taking any other corrective or remedial action legally available; and
11. Taking action, as applicable, pursuant to the Section 8 and/or public housing Annual Contributions Contract.

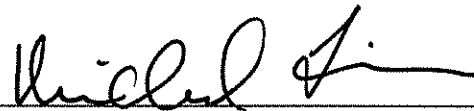
This Agreement is effective upon execution, except as otherwise provided herein.

HOUSING AUTHORITY OF BALTIMORE CITY
By 

Its Executive Director

Date of Execution by Agency 3-31-05

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

By 

Its Assistant Secretary

Date of Execution by HUD 3/31/05

APPENDIX
TO
MOVING TO WORK DEMONSTRATION AGREEMENT
BETWEEN
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND
THE HOUSING AUTHORITY OF BALTIMORE CITY

Statement of Authorizations

I. General Conditions

- A. This Statement of Authorizations describes the activities that the Housing Authority of Baltimore City (HABC) may carry out under the Moving to Work Demonstration program (MTW), subject to the terms and conditions of the Moving to Work Demonstration Agreement (MTW Agreement) between the HABC and the U.S. Department of Housing and Urban Development (HUD).
- B. The term of the MTW Agreement and of the HABC's demonstration program is seven (7) years, commencing on the date of the execution of the MTW Agreement by HUD. If the Agreement is executed in the middle of HABC's fiscal year, the demonstration will remain in effect for seven (7) years from the start of the next fiscal year, but all MTW provisions will be effective immediately upon execution of this Agreement.
- C. Unless otherwise provided in this MTW Agreement, HABC's MTW Demonstration Program applies to all of HABC's public housing units (including HABC-owned properties and units comprising a part of mixed-income, mixed finance communities); tenant-based Section 8, project-based Section 8 assistance and homeownership units developed using Section 8 assistance.
- D. HABC may partner with for-profit and non-profit entities, including without limitation, mixed-income, mixed-finance development partners and third party management companies ("HABC Partners"), to implement and develop all or some of the initiatives that may comprise HABC's MTW Demonstration Program. HABC may, with respect to MTW eligible activity and when working with or partnering with such partners, make available to HABC Partners the least restrictive regulatory requirements allowable based on HABC's participation in the MTW Demonstration Program and that agreements with HABC Partners may reflect the implementation of less restrictive regulatory requirements.
- E. The purpose of the Statement of Authorizations is to delegate to HABC the authority to pursue locally driven policies, procedures and programs with the aim of developing

better, more efficient ways to provide housing assistance to low and very-low income families. Therefore, except as otherwise provided in this Agreement, all authorizations granted in the Statement of Authorizations are intended to have been granted fully without requiring any additional HUD authorizations and approvals.

- F. During the term of this Agreement, nothing herein shall prevent HABC from taking full advantage of future changes in the 1937 Act or HUD regulations for which HABC qualifies and which are consistent with the purposes of this Agreement, including the ability to design and test new strategies for housing development or new public housing and/or Section 8 programs or policies.
- G. HABC may, with HUD's prior approval, expand this demonstration to design and test local strategies for additional public housing or Section 8 policies or programs.
- H. Both HUD and HABC recognize that time is of the essence and mutually agree to work cooperatively and expeditiously to review and implement the authorizations described in this agreement. HABC will submit and HUD will review in a timely manner all written requests for approval and funding contemplated herein. HABC and HUD also will work cooperatively to minimize the number of issues that HABC will need to return to HUD for approval, provided that such policies comply with parameters outlined in this Agreement.
- I. HUD shall appoint a liaison as a single point of contact to represent HUD in implementing this Agreement. HUD shall provide written notice of its appointed liaison within thirty (30) days of executing this Agreement.
- J. HABC reaffirms that it will comply with all applicable nondiscrimination and equal opportunity requirements set forth in 24 CFR 5.105(a), and will administer its programs and activities in a manner affirmatively to further fair housing. In particular, the Agency must make reasonable modifications and accommodations needed by applicants and residents and must make units accessible in accordance with the Needs Assessment and Transition Plan as required under Section 504 of the Rehabilitation Act of 1973 and its implementing regulations.
- K. HABC agrees that it will comply with the terms of any applicable Voluntary Compliance Agreements that are in existence or may come into existence during the term of the Agreement.

II. Administrative Issues Related to Public Housing

A. Site Based or Geographic Area Waiting List System

HABC may implement a locally designed waiting list system that provides applicants with a reasonable choice of location in accordance with all civil rights and Fair Housing

requirements, but in lieu of the specific procedural requirements of 24 CFR Part 903. A description of the waiting list system will be included in the annual MTW Plan.

B. Transitional/Conditional Housing Program

HABC may develop and adopt new short-term transitional housing programs with supportive services in one or more buildings in collaboration with local community-based organizations and government agencies. These transitional housing programs may provide housing assistance to applicants who, except for their willingness to participate in supportive services, would otherwise not pass the Authority's screening. Such programs will not be made available to those applicant specifically excluded by HUD program regulations. Successful participants in these programs will be eligible for transfer to HABC's public housing or Section 8 voucher programs. HABC will make reasonable efforts to ensure that these programs do not have a disparate impact on protected classes, and will be operated in a manner that is consistent with the requirements of Section 504 of the Rehabilitation Act. More specifically, under no circumstances will residents of such programs be required to participate in supportive services that are targeted at persons with disabilities in general, or persons with any specific disability. In addition, admission to any of the programs developed under this section will not be conditioned on the presence of a disability or a particular disability. This Section II.B. is not intended to govern the designation of housing that is subject to Section 7 of the 1937 Act.

C. Special Admissions and Occupancy Policies for Certain Public Housing Communities

HABC is authorized to involve a broad spectrum of community stakeholders, including advocacy groups, in a process to explore and adopt reasonable restrictions for occupancy of specific HABC public housing buildings. Buildings, or portions of buildings (floors, units), may be designated as Smoke-Free, Pet-Free, Assisted Living (or other similar reservations). HABC may establish admissions preferences in order to establish these special occupancy requirements. A key goal of this initiative will be to ensure that HABC is able to maintain and improve the quality of life in HABC communities. These reservations or policies must not have a disparate impact on protected classes and must be operated in a manner that is consistent with the requirements of Section 504 of the Rehabilitation Act. Any such designations or policies will include adequate safeguards for the disabled, including protections for disabled persons who are HABC residents and those seeking housing assistance. Residents can voluntarily participate in any of the services provided. Once adopted, the designations or policies will be updated and reviewed as part of the Annual MTW Plan and Report submitted by HABC for HUD's review. In particular, HABC will review the demographic make-up of its current resident population and applicants to assess the need for and support any changes to its designations or policies.

D. Community Service Policy

HABC is authorized to develop and adopt a local policy regarding public housing resident participation in community service and self-sufficiency activities in lieu of those required by regulation.

E. Deconcentration Policy

HABC is authorized to develop and adopt a local policy designed to provide for deconcentration and income mixing in public housing communities in lieu of the requirements provided under the U.S. Housing Act of 1937 and 24 CFR 903.2.

F. Initial, Annual and Interim Income Review Process

HABC is authorized to restructure the initial, annual and interim review process in the public housing program in order to affect the frequency of the reviews and the methods and process used to establish the integrity of the income information provided. In addition, HABC is expressly authorized to adopt a local system of income verification in lieu of the current HUD system. For example, HABC may implement alternate time frames for validity of verification or adopt policies for verification of income and assets through sources other than those currently allowed under the U.S. Housing Act of 1937.

G. Occupancy Policies at Existing HABC Elderly Only Developments

HABC is authorized to amend the definition of elderly (as currently defined by HUD regulations) to include applicants/residents 55 years of age or older. This will be accomplished in collaboration with local senior and other advocacy groups.

H. Local Preferences and Admission and Continued Occupancy Policies and Procedures

HABC is authorized to develop and adopt local preferences and admission policies and procedures for admission into the public housing program in lieu of HUD statutes, regulations or other requirements based in the 1937 Act so long as the families assisted qualify as low income. HABC is also authorized to revise the Admissions and Continued Occupancy Policy (ACOP), as needed, to reflect changes in public housing policy as a result of the MTW program.

I. Resident Transfer Policies

HABC is authorized to develop and adopt resident transfer policies that will govern transfers in lieu of existing HUD rules.

J. Incentives for Underutilized Developments

HABC is authorized to develop and offer incentives that will attract applicants to developments, or portions thereof, which have been difficult to market.

K. Simplification of the Development and Redevelopment Process for Public Housing

1. HABC is authorized to develop and adopt reasonable policies and procedures that

will allow local conditions to determine and control major development decisions and will simplify and streamline the HUD approval process for redevelopment and redevelopment activities involving building demolition, property disposition, homeownership opportunities and mixed finance agreements and partnerships. HABC may choose to implement its development decisions, policies, procedures and strategies in conjunction or in partnership with HABC Partners to: (i) develop innovative residential and/or retail opportunities consistent with eligible uses of funds; (ii) further HABC's neighborhood revitalization strategies; and/or (iii) further HABC's affordable housing strategies.

2. HABC may at the discretion of HABC, allow any authorizations and regulatory relief granted to HABC pursuant to this MTW Agreement to inure to the benefit of HABC Partners with respect to MTW eligible activities, and HUD hereby agrees to the amendment of any and all evidentiaries necessary to implement the least restrictive regulatory requirements allowable.
3. HABC is authorized to establish reasonable cost formulas for development and redevelopment activities that will replace HUD's Total Development Cost (TDC) limits in order to reflect local marketplace conditions for quality construction in Baltimore.
4. HABC is authorized to establish reasonable and modest design guidelines, unit size guidelines and unit amenity guidelines for development and redevelopment activities that will replace HUD guidelines with guidelines that reflect local marketplace conditions for quality construction in Baltimore.
5. HABC is authorized to utilize a streamlined HUD review process for demolition and disposition applications, which will include a single point of contact at the Special Applications Center, or its successor HUD entity, for review and to provide requested technical assistance and approve any demolition and disposition request. The Special Applications Center commits to providing a deficiency list to HABC within two weeks of receipt of an application and further commits to responding to all subsequent submissions within ten days from then on, provided that 1) the application is complete, 2) the application is part of an approved MTW plan and 3) an environmental review has been signed off on by the HUD field office.
6. HABC is authorized to establish reasonable low-income home ownership programs, such as a lease-to-own program, that are not limited by the existing public housing homeownership requirements, provided that any disposition of current public housing units must be approved in advance by HUD. Any disposition application will be submitted and processed in accordance with this Agreement.
7. HABC is authorized to acquire sites without prior HUD approval, provided that HABC certifies that HUD site selection requirements have been met.
8. HABC is authorized to establish a reasonable competitive process or utilize an existing local competitive process for assigning public housing subsidies and

- capital funds to new or acquired units.
9. HABC is authorized to enter into commercial business ventures as part of its neighborhood revitalization or affordable housing strategies or other strategies designed to serve as catalysts for revitalization of public housing or surrounding communities.
 10. Site and Neighborhood Standards: HABC will comply with the Fair Housing Act and Title VI of the Civil Rights Act of 1964, and implementing regulations thereto, in determining the location of newly constructed or acquired public housing units. HABC shall certify to HUD that HUD site and neighborhood selection requirements have been met; provided, however, that in lieu of the Site and Neighborhood Standards currently set forth in 24 CFR Section 941.202(b)-(d), HABC will comply with the following requirements:
 - a. Units may be located in HABC's jurisdiction, including within, but not limited to, the following types of urban areas: (i) an area of revitalization that has been designated as such by the City of Baltimore, including Redevelopment Areas and Enhanced Enterprise Communities, (ii) an area where public housing units were previously constructed and were demolished, (iii) a racially or economically impacted area where HABC plans to preserve existing affordable housing, (iv) in connection with a HOPE VI or other HUD funded master planned development, (v) in areas where a needs analysis indicates that subsidized housing represents a low percentage of the total number of housing units in the area or (vi) relocating units to an area with a lower concentration of public housing units.
 - b. Conduct a housing needs analysis indicating that there is a real need for the housing in the area; and
 - c. When developing or substantially rehabilitating six or more public housing units, HABC will: (i) consult with public housing residents through appropriate resident organizations and representative community groups in the vicinity of the subject property during the planning; (ii) advise current residents of the subject properties ("Residents") and public housing residents, by letter to resident organizations and by public meeting, of HABC's revitalization plan; and (iii) certify to HUD in its MTW Annual Report that the comments from Residents, public housing residents and representative community groups have been considered in the revitalization plan. Documentation evidencing that HABC has met the stated requirements will be maintained at the housing authority and submitted to HUD in its MTW Annual Report.
 11. HABC is authorized to make available public housing property including dwelling and non-dwelling spaces and vacant land for the purpose of providing services, programs and capital improvements that benefit residents and program

participants. HABC will continue to receive subsidy for units utilized for such purposes.

12. Consistent with Section 18 of the U.S. Housing Act of 1937 and implementing regulations HABC is authorized to develop local procedures and policies regarding the viability, best use and/or conversion of public housing developments in relation to current and projected site and market conditions. HUD shall not be obligated by this provision to provide HABC with additional resources.

A good cause justification for this waiver is included in Attachment D.

L. Simplification of the Wage Rate Monitoring Process

Subject to prior HUD approval, HABC is authorized to create a reasonable and less expensive process for determining, applying and reporting required wage rates for federally funded activities, such as those determined by the Department of Labor or others, as well as for receiving contractor assurance of their use.

M. Simplification of Property Management Practices

1. HABC may develop and adopt reasonable policies and procedures that will simplify, streamline and enhance the delivery of management and maintenance services to HABC owned, operated, or managed public housing.
2. HABC is authorized to deploy a risk management approach in establishing property and system inspection protocols and frequencies in lieu of the HUD requirements of annual inspections by PHAs.
3. HABC is authorized to develop and adopt a new form of local lease and establish community rules, grievance procedures, tenant self-sufficiency requirements and reasonable tenant fees based on proven private management models (subject to State and local laws), provided that no-cause evictions are not permitted. These items would be subject to the same community, resident, and Board review process as the Annual MTW Plan.
4. HABC is authorized to establish energy and utility management policies and energy auditing protocols and frequencies in lieu of the HUD requirement that energy audits be performed every five years.

III. Energy Performance Contracting

- A. HABC may, without prior HUD approval, modify the current energy performance contract or enter into new performance contracts with Energy Service Companies (ESCOs), also called Energy Service Agreements (ESAs), and make local determinations of the terms and conditions of energy performance contracts, including the debt service source, in order to satisfy reasonable financing requirements, provided that, with respect to each contract, (i) the term does not exceed 12 years, (ii) at least 50% of the energy cost savings are used to pay financing and debt service costs with the balance of any savings kept by HABC.

(iii) and HABC maintains adequate file documentation showing the basis for HABC's determination that debt service payments can be funded from the reasonably anticipated energy cost savings. HABC may also function as its own ESCo, provided that any financing complies with requirements (i) through (iii) of this paragraph. HUD will honor the terms and conditions of such contracts during and beyond the term of the MTW demonstration.

- B. HABC is authorized to pledge its reserves or other funds (for use during and after the term of the MTW demonstration) to guarantee the payment of debt service in the event that projected energy savings are not adequate to cover the debt service costs for an energy conservation project undertaken during the term of the MTW demonstration.
- C. To satisfy financing requirements, HUD will provide to HABC any reasonable documentation affirming the terms of the MTW Agreement, including HABC's authority to enter into performance contracts or function as its own ESCo and HUD's agreement to freeze HABC's utility consumption for purposes of calculating operating subsidy eligibility, as provided in this Agreement, during the term of the MTW demonstration and continuing for the term of any contract or financial agreement, as provided above. HUD also agrees to allow HABC to exclude from its subsidy calculation declines in tenant-paid utilities that are the result of energy performance contracting for developments with tenant-paid utilities. Line 11A, in HABC proposed Form 52578, will continue to be inflated by rate changes in electricity costs during the term of the MTW agreement and continuing for the term of any contract or financial agreement as provided above.

IV. Administrative Issues Related to Section 8 Housing Assistance

A. All HABC Section 8 vouchers

HABC is authorized to determine the following basic operational policies and procedures for all Section 8 vouchers HABC administers. HABC is authorized to revise these operational policies and procedures, provided that HABC complies with HUD requirements regarding rent reasonableness and that the requirements of special-purpose vouchers (targeting, reporting, etc.) are maintained. Additionally, policy changes that may result in an increase in the amount of subsidy provided to Section 8 participants (e.g., income exclusions and other elements of rent structure) are authorized only for vouchers included in the MTW block grant as noted in section B below. HABC is authorized to revise operational policies and procedures other than those listed in this section A, subject to prior HUD approval.

1. Income qualifications and other eligibility criteria for participation in the rental assistance program (subject to the income eligibility and targeting requirements applicable to the Moving to Work Demonstration);
2. Lease length, voucher expiration and reissuance policies, including, but not

- limited to, the suspension of HUD lease terms and term of assistance contracts;
3. Property eligibility criteria, including types of units currently prohibited by Section 8 regulations (including, but not limited to assisted living facilities, nursing homes, or other housing as HABC deems appropriate, consistent with its mission);
 4. Waiting list procedures and tenant selection procedures, criteria and preferences; however, HABC will be required to meet all targeting, reporting and other requirements for special purpose vouchers;
 5. The content of housing assistance payments contracts to owners;
 6. The content of contract rental agreements;
 7. Damage claims and/or vacancy loss policies, except for any changes that result in an increase in the cost of the program;
 8. HABC is authorized to determine what percentage of its rental/leased housing assistance will be project-based;
 9. The contract term of project-based assistance;
 10. Family obligations under the HABC Local Leased Housing Program;
 11. Inspection protocols and frequencies for both HABC owned and non-HABC owned units;
 12. Procedures for rent reasonableness determinations for both HABC-owned and non-HABC-owned units.
 13. Portability policies and procedures with other local MTW and non-MTW housing authorities;
 14. Extended Section 8 search time limits;
 15. Homeownership policies, procedures and programs;
 16. Streamlined use of Section 8 forms;
 17. Administrative changes to rent policies and procedures as long as there is not a resulting increase in housing assistance payments to owners.
 18. Elements to be included in HABC's Administrative Plan.

B. Section 8 rental vouchers in the MTW block grant

HABC is authorized to merge a portion of its Section 8 assistance into a single, authority wide funding source (MTW block grant). For those Section 8 vouchers in the MTW block grant, HABC will be authorized to determine additional operational policies including, but not limited to, the following:

1. Reasonable contract rent increases;
2. Tenant ability to exceed Brooke Amendment rents or any other regulatory or statutorily prescribed rents, subject to Article I. I of the MTW Agreement;
3. Applicable rent structure, including standards for reviewing and implementing utility allowances.
4. Adjustments to the Payment Standard.

- C. HABC will provide all information required in the Annual MTW Plan and the Annual MTW Report (as outlined in Attachment B) for all of its Section 8 rental assistance, regardless of whether the units are included in the MTW block grant.
- D. HABC may cooperate with other housing authorities in order to further the goals of the MTW demonstration.
- E. Project-Based Section 8 Assistance:
1. In lieu of HUD requirements, HABC is authorized to develop and adopt a reasonable policy and process for project-basing Section 8 leased housing assistance, which includes, but is not limited to, the components set forth below. For the purposes of this section, "Affiliate of HABC" is defined to include entities that own mixed-income, mixed-finance development projects in which HABC or a non-profit corporation controlled by HABC owns a direct or indirect interest.
 2. HABC is authorized to project-base Section 8 assistance at properties owned directly or indirectly by HABC or any Affiliate of HABC, subject to HUD's requirements regarding subsidy layering without engaging in a competitive process.
 3. HABC is authorized to establish a reasonable competitive process or utilize an existing local competitive process for project-basing leased housing assistance at units that meet HQS standards, or any standards developed by HABC pursuant to this MTW Agreement, and that are owned by non-profit, or for-profit housing entities.
 4. Site and Neighborhood Standards: HABC will comply with the Fair Housing Act and Title VI of the Civil Rights Act of 1964, and implementing regulations thereto, in determining the location of newly constructed or substantially rehabilitated unit-based housing assistance. HABC shall certify to HUD that HUD site and neighborhood selection requirements have been met; provided, however, that in lieu of the Site and Neighborhood Standards currently set forth in 24 CFR Section 941.202(b)-(d) and in 24 CFR Section 983.6, HABC will comply with the following requirements:
 - a. Units may be located in HABC's jurisdiction, including within, but not limited to, the following types of urban areas: (i) an area of revitalization that has been designated as such by the City of Baltimore, including Redevelopment Areas and Enhanced Enterprise Communities, (ii) an area where public housing units were previously constructed and were demolished, (iii) a racially or economically impacted area where HABC plans to preserve existing affordable housing, (iv) in connection with a HOPE VI or other HUD funded master planned development, (v) in areas where a needs analysis indicates that subsidized housing represents a low percentage of the total number of housing units in the area or (vi) relocating units to an area with a lower

- concentration of public housing units.
 - b. Conduct a housing needs analysis indicating that there is a real need for the housing in the area; and
 - c. When developing or substantially rehabilitating six or more public housing units, HABC will: (i) consult with public housing residents through appropriate resident organizations and representative community groups in the vicinity of the subject property during the planning; (ii) advise current residents of the subject properties ("Residents") and public housing residents, by letter to resident organizations and by public meeting, of HABC's revitalization plan; and (iii) certify to HUD in its MTW Annual Report that the comments from Residents, public housing residents and representative community groups have been considered in the revitalization plan. Documentation evidencing that HABC has met the stated requirements will be maintained at the housing authority and submitted to HUD in its MTW Annual Report.
5. HABC is authorized to adopt a local process for determining whether units meet certain eligibility requirements, including, but not limited to:
 - a. The minimum expenditure requirement and the timing of rehabilitation and construction of units.
 - b. The type of funds that may be used to rehabilitate or construct units.
 - c. Procedures to determine whether or not units meet HABC's requirements regarding rehabilitation and construction, including what information is required to be submitted by owners to HABC.
 6. HABC is authorized to locally determine the effect of subsidy on rent to owner and the duplication of subsidy or excessive subsidy, subject to the requirements regarding subsidy layering.
 7. HUD reviews and approvals related to the project basing of Section 8 Vouchers are suspended during the MTW Demonstration, including but not limited to any approvals related to any required assessments for voluntary conversion or disposition applications.
 8. All units that receive project-based Section 8 assistance must meet either (i) HQS standards or (ii) a local standard for communities receiving project-based Section 8 assistance developed by HABC pursuant to this MTW Agreement, as applicable.
 9. HABC shall be authorized to perform subsidy layering reviews for project-based Section 8 properties; provided, however, that HABC shall identify and engage an independent third party to do the subsidy layering review where HABC is the direct or indirect owner of the property.
 10. Notwithstanding the above, all project-based assistance will be provided in

accordance with program flexibility authorized in this MTW Agreement.

V. Administrative Issues Related to both Public Housing and Section 8

A. HABC Annual MTW Plan and Annual MTW Report

1. In lieu of the five (5) year plan and annual plan required by Section 5A of the 1937 Act, as amended, HABC will prepare and will conduct its activities in accordance with an Annual MTW Plan. The Annual MTW Plan will serve as a comprehensive framework for HABC's Public Housing and Section 8 Housing Voucher activities, including resource allocation decisions, and will be submitted to HUD for its review annually, no later than 60 days prior to the start of HABC's fiscal year (except that in the first year of the MTW demonstration it will be submitted within a reasonable period of execution of this Agreement). The Annual MTW Plan shall be submitted to HUD with a board resolution approving the plan and certifying that a public hearing has been held regarding the plan. HUD will review the Annual MTW Plan for consistency with this MTW Agreement. The Annual MTW Plan and the Annual MTW report will be provided to HUD in a reasonable format and shall include the list of items as identified in Attachment B.
2. HABC will prepare an Annual MTW Report, including a Consolidated Financial Report describing the sources and uses of funds under this Agreement, which will compare HABC's performance with its Annual MTW Plan. The Annual MTW Report will provide the information necessary for HUD to assess HABC's performance, in both regular operations and in activities authorized by the MTW Demonstration Program. All HUD forms and other reporting mechanisms, including any required certifications, will, where appropriate, be included in either the Annual MTW Plan or the Annual MTW Report, and will not be submitted to HUD at other times during the year. However, HUD reserves the right to conduct independent physical inspections of HABC property and to require submission of any other information required by law or for sound administration of the program. HABC may provide for HUD consideration and approval streamlined and less costly methods of scheduling and conducting independent physical inspections of HABC developments than is prescribed in the Public Housing Assessment System (PHAS) protocols. Inspections completed within HABC developments will be utilized for informational purposes only and will not be subject to assessment under any HUD management evaluation program. The Annual MTW Report will be submitted to HUD for its review annually, no later than 90 days after the end of HABC's fiscal year, except the first report will be submitted within a reasonable period of the end of the fiscal year for which there is an Annual MTW Plan. HABC shall submit with the Annual MTW Report a board resolution approving the Report. HUD will review the Annual MTW Report for consistency with the Annual MTW Plan. As stated earlier, the Annual MTW Plan and Annual MTW

Report will be provided to HUD in a reasonable format and shall include the list of items identified in Attachment B. Except as otherwise provided in this Agreement, the Annual MTW Report will take the place of all other conventional HUD performance measures.

3. During the term of the MTW demonstration, to the extent provided in this Statement of Authorizations and unless otherwise specified, HABC's Annual MTW Plan and Annual MTW Report will replace only those program-based reporting requirements which are applicable to the receipt of public housing operating subsidies and capital funds and/or tenant-based Section 8 funds.
4. HABC will submit an annual audit that complies with the requirements of OMB Circular A-133 including the OMB Compliance Supplement, as determined by the auditor to be relevant to the MTW demonstration.

B. Suspension of Current Evaluation and Reporting Requirements

1. During the term of the MTW demonstration, HABC will be evaluated by HUD on the basis of its Annual MTW Report, in lieu of the Public Housing Assessment System (PHAS) or its successor system (except for reasonable physical inspections in accordance with this Agreement), and the Section 8 Management Assessment Program (SEMAP) and other program evaluation requirements, except as otherwise provided in this Agreement. HABC will submit an Annual MTW Report to HUD in lieu of any other reports during the term of the demonstration. HABC intends to develop its own internal management assessment system and will incorporate relevant performance indicators into the annual MTW Report, including those indicators specified in Attachment B, HUD will assess HABC's performance on an annual basis by comparing, at the end of the housing authority's fiscal year, its goals as stated in its Annual MTW Plan to its actual performance, as stated in the MTW Report.
2. Given the unique and comprehensive nature of the activities to be carried out by HABC under this Agreement, particularly due to the authority granted to HABC to depart from standard program requirements, HUD recognizes that the Public Housing Assessment System (PHAS) and the Section 8 Assessment System (SEMAP) may not provide an accurate evaluation of HABC's performance in administering the public housing and tenant-based Section 8 programs, respectively. Therefore, as an alternate assessment protocol, HUD will assess the HABC's performance on an annual basis by comparing at the end of the HABC's fiscal year, its goals, as stated in its approved MTW Plan, to its actual performance, as stated in its MTW Report. During the course of the MTW Demonstration and upon re-entry into PHAS and SEMAP or any successor systems, HABC will retain its most recent PHAS and SEMAP, or comparable scores.

3. HABC is exempt from submitting reports and documents except as required by the MTW Agreement for monitoring and evaluation pursuant to Article I. Paragraph E. With respect to management, accounting and financial reports (Article I. Paragraph D), HUD will provide HABC with a list of any reports or financial statements necessary to provide the funding due to HABC under the MTW program. For all other forms and reports, HUD and HABC agree that, unless HUD provides a written requirement for submission, the decision to submit rests with HABC.

HUD and HABC agree that the following two reports will continue to be submitted. Information contained therein will be limited to the lines indicated below, which are required to verify receipt of funds for the respective programs:

- a) HUD 52681 Section 8 Voucher for Payment of Annual Contributions: Line 35.
 - b) HUD 52599 Public Housing Statement of Operating Receipts and Expenditures: Lines 690-750.
4. HABC is authorized to suspend submission of HUD 50058 data (for public housing and section 8) until such time as the 50058MTW becomes available for use by PHAs. At the time the 50058MTW, or its applicable replacement form, goes into effect, HUD and HABC will review the information collection and transmission protocols and agree in writing on the MTW submission requirements taking into account any circumstances unique to HABC.

C. Family Self-Sufficiency Program

HABC is authorized to operate any of its existing self-sufficiency and training programs, including without limitation, its Family Self-Sufficiency (FSS) Program, and any successor programs exempt from HUD program requirements and without any specific requirements governing program size or participation requirements including whether to establish escrow accounts and other rent incentives and whether to establish mandatory self-sufficiency participation requirements; provided, however that if HABC receives dedicated funding for an FSS coordinator, such funds must be used to employ a self-sufficiency coordinator. In developing and operating such programs, HABC is authorized to establish strategic relationships and partnerships with local private and public agencies and service providers to leverage expertise and funding.

VI. Funding Issues

A. Single Fund Budget with Full Flexibility

1. Pursuant to Article I.B. of the MTW Agreement, HABC may combine its public housing operating subsidies and capital funds (including development and

replacement housing factor funds), and tenant-based Section 8 rental assistance voucher funds into a single, authority-wide funding source, excluding funds like HOPE VI, which must be kept separate. HABC may use this funding source to carry out the purposes of the MTW demonstration to provide flexibility in the design and administration of housing assistance to eligible families, to reduce cost and achieve greater cost effectiveness in federal expenditures, to give incentives to families with children where the head of household is working, seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient, and to increase housing choices for low-income families, through but not limited to the following activities:

- a. Provision of assistance under the Capital or Operating funds to housing previously developed or operated pursuant to a contract between the Secretary and HABC or newly acquired or developed pursuant to section b below.
- b. The acquisition, new construction, reconstruction or moderate or substantial rehabilitation of housing, ancillary or commercial facilities which are consistent with the objectives of the demonstration, which may include but is not limited to real property acquisition, site improvement, development of utilities and utility services and energy efficiency systems, conversion, demolition, financing, administration and planning costs, relocation and other related activities; provided, however, that prior HUD approval is required for the development of any incremental public housing units.
- c. The provision of housing or employment-related services, such as housing counseling or housing mobility and search assistance in connection with rental or home ownership opportunities, energy auditing, activities related to the provision of self-sufficiency, housing stability and other services, employment counseling, education, training and other services related to assisting tenants, owners, contractors, and other persons or entities participating or seeking to participate in other housing or training and educational activities assisted pursuant to this section.
- d. The provision of management services, including preparation of work specifications, loan processing, inspections, tenant selection, management of tenant and project-based rental assistance and management of housing projects or other facilities or operations developed under this program.
- e. Direct funding or establishment of an endowment to fund resident and/or participant services including youth tutoring, case management, arts programs, resident councils, Section 3 business development, drug/alcohol prevention, intervention, and treatment services to reduce drugs and drug-related criminal activity among program participants and to encourage

- community involvement, strengthen families, increase school performance and self-sufficiency of resident and/or participant households.
- f. The provision of safety, security, and law enforcement measures and activities appropriate to protect residents of housing from crime.
 - g. The provision of tenant-based or project-based rental assistance, alone or in conjunction with other private or public sources of assistance.
 - h. The preservation of units currently serving people of low income or the acquisition and/or development of new units for people of low income.
 - i. The operation or preservation of locally developed housing programs.
2. HABC is authorized to use the MTW demonstration program to explore project-based funding methods that more closely conform to private sector apartment management models. In addition, HABC, in consultation with and approved by HUD, may pursue the conversion, as appropriate and feasible, of all or a portion of its public housing assisted units at selected HABC communities from public housing assistance under Section 9 of the 1937 Act to project-based assistance under Section 8 of the 1937 Act ("Project Based Financing Demonstration").
 3. The above activities may be carried out by HABC, by an entity, agent, or instrumentality of HABC, a partnership, a grantee, contractor, or other appropriate party or legal entity, subject to applicable procurement requirements.
 4. HABC may use modernization or capital funds (including development and replacement housing factor funds) from fiscal years prior to its fiscal year 2005 in accordance with this Agreement and subject to section 9(j) of the 1937 Act.
 5. HABC may maintain a reasonable operating reserve and replacement reserve consistent with sound public and private housing management practices. HUD will not consider reserves in determining funding under this Agreement. HABC may pledge its future funding streams to obtain public and private financing, realizing that all future funding streams are subject to federal appropriations. HABC may also mortgage its assets, subject to prior HUD approval on a case-by-case basis. HUD has an obligation to ensure that the projected benefits of such transactions exceed the risk to public housing assets.

B. Funding Methodology

During the term of the MTW demonstration, HUD will provide HABC with public housing operating subsidies and modernization or capital funds (including development and replacement housing factor funds), and with tenant-based Section 8 assistance, as provided in Attachment A.

C. Funding Disbursements

HABC will receive its public housing operating subsidy and Section 8 tenant-based funding in accordance with the following calculation and disbursement requirements:

1. Operating Subsidies
 - a. The operating subsidies determined in accordance with Attachment A.
 - b. HABC may use these funds for any eligible MTW activity consistent with this MTW Agreement.
2. Capital Funds and Other Grants
 - a. The capital funds (including development and replacement housing factor funds) determined in accordance with Attachment A will be disbursed in accordance with standard HUD procedures for the disbursement of public housing capital funds.
 - b. In requisitioning grant funds, HABC will not be required to provide line item detail, but will request the funds using a single MTW line item; provided however, that HABC may not accelerate draw downs of funds in order to fund reserves.
 - c. HABC may use these funds for any eligible MTW activity consistent with this Agreement.
 - d. HABC is authorized to simplify the requisitioning of funds from all HUD grants allocated to HABC in the manner authorized for capital funds in this Appendix, whether or not these funds are allowed to be included in the MTW block grant. HABC will continue to administer and report on these programs in accordance with the terms and conditions under which the grant was received; it will merely simplify the funds reimbursement process through the use of a single line item within LOCCS or other HUD payment mechanism.
3. Section 8 Tenant-Based Assistance
 - a. Tenant-based Section 8 funds will be determined in accordance with Attachment A.
 - b. HABC may use tenant-based Section 8 funds included in the MTW block grant for any eligible MTW activity consistent with this MTW Agreement.

HABC may submit for HUD consideration and approval alternative schedules for disbursement of public housing operating subsidy and Section 8 tenant-based funding to reduce the number of transactions and to address the time lag between making HAP payments for the large number of Section 8 participants from other jurisdictions (portables) and reimbursement by those jurisdictions.

D. Adoption of Investment Policies Consistent with State Law

HABC is authorized to adopt investment policies consistent with Maryland law to the extent such policies are in compliance with applicable OMB circulars and other federal laws. HABC shall invest only in securities authorized under Maryland law that will allow the flexibility to invest productively and efficiently.

VII. Debt Service

To acquire, develop and rehabilitate housing for low-income households, HABC is authorized to borrow funds, including from its internal resources, amortize that debt in accordance with the prevailing interest rate, and earn interest on the loan at that rate.

VIII. Changes to Procurement Requirements

A. HABC may adopt an alternative system of procurement, as follows:

- 1) HABC may utilize qualification-based procurement as described in 24 CFR 85.36(d)(3)(v) for construction contracts and other procurement of services where HABC deems said system the most suitable.
- 2) HABC may utilize an alternative system of procurement, subject to the following certifications by HABC in relation to each transaction:

- a) The contract price is reasonable for the goods, services, or property, which is the subject of the contract.
- b) The selected contractor is qualified to perform the terms of the contract.
- c) No individual member, officer, or employee of HABC by through or under whose supervision (in whole or in part) the contract was offered and awarded, shall derive personal financial benefit from nor hold any beneficial interest, direct or indirect, in the contract.
- d) Reasonable efforts to procure competitive prices and services were made.

B. HABC is authorized to establish a reasonable competitive process or utilize an established City of Baltimore competitive process for assigning public housing subsidies and capital funds to replacement new or acquired public housing units.

C. HABC may enter into non-competitive contracts with any related qualified nonprofit of HABC, provided that HABC shall include a consolidated balance sheet in its annual MTW Plan and Report covering both HABC and the related nonprofit as it relates to utilization of HUD funds and provided that the following certifications are made with respect to each transaction:

- 1) The contract price is reasonable for the goods, services, or property that is the subject of the contracts and is competitive with prices in the market.

- 2) No individual member, officer, or employee of HABC by through or under whose supervision (in whole or in part) the contract was offered and awarded, shall derive personal financial benefit from nor hold any beneficial interest, direct or indirect, in the contract.
 - 3) The member, officer, or employees of HABC and the nonprofit involved in the transaction, where such persons are the same, have fulfilled their fiduciary relationship to both organizations, and the contract will be of benefit to, and not to the detriment of, either or both of the organizations.
 - 4) All costs associated with such transactions shall be allocated in accordance with basic cost allocation principles as required by OMB Notice A-122.
- D. HABC may use its own form for construction contracts rather than a HUD-prescribed form, provided that such form contains all applicable HUD requirements.
- E. HABC is authorized to self-certify those procurements listed in Chapter 11, 1. A. 1. Items (a) through (h), of the Procurement Handbook for Public Housing Agencies, 7460.8 REV1, that would otherwise require HUD's formal prior approval.

A good cause justification for this waiver is included in Attachment D

HABC MTW Agreement

Attachment A

Calculation of Subsidies

During the term of this MTW Agreement, HUD will provide the Housing Authority of Baltimore City (the "PHA") with operating subsidy, capital funds, and Section 8 assistance as described below. Nothing in this statement of funding abrogates HABC's obligations set forth in Article I, Paragraph H of the MTW Agreement.

Definitions in this attachment:

Initial Year: The first PHA fiscal year in which the PHA begins operating under its MTW authority is HABC fiscal year 2005. For purposes of calculating operating subsidy eligibility for inclusion in the block grant, the initial year is HABC's FY 2005 fiscal year beginning July 1, 2004. For purposes of Section 8 Voucher funding only, the initial year is calendar year 2005 (January 1, 2005- December 31, 2005).

Base Year: The most recently completed PHA fiscal year prior to the Initial Year, specifically HABC's fiscal year ending June 30, 2004.

1. Operating Subsidy

The calculation of operating subsidy for the initial year will be based on HABC's funding amount already calculated by HUD for its fiscal year July 1, 2004 – June 30, 2005, in the amount of \$58,395,634 (\$25,182,725 of which relates to utility costs). There shall be two adjustments allowed to this baseline amount in subsequent years: (1) an inflation factor applied to the utility cost component of the subsidy (\$25,182,725 in the initial year) based on an energy index as determined by HUD each year; and (2) the remainder of the annual funding amount (\$33,212,909) shall be adjusted by an annual inflation factor pursuant to existing regulations. Funding for operating subsidy in the second and subsequent years of this agreement will be based on initial year funding (the baseline as adjusted) and will be further adjusted annually commensurate with adjustments to annual appropriations for the Operating Subsidy Program.

Furthermore, Congress has stipulated that HUD transition all PHAs to a calendar year funding cycle for Operating Subsidy. Therefore, HUD will fund HABC for six months starting July 1, 2005 and ending December 31, 2005 based on HABC's frozen level prorated for six months. Then starting on January 1, 2006, HABC will receive operating subsidy at the frozen level (including adjustments mentioned above) on a calendar year basis for the duration of the MTW agreement.

HABC will also be required to comply with project based accounting and management requirements in accordance with regulations and notices in effect during the term of the MTW agreement.

2. Capital Funds Program

- A. The PHA's formula characteristics and grant amount will continue to be calculated in accordance with applicable law and regulations.
- B. For capital funds provided in years prior to the execution of this Agreement, the PHA may submit, and HUD will, as permitted by law, approve, a request to reprogram, by grant year, any unobligated funds for eligible MTW purposes. Such requests will be made in accordance with current procedures governing amendments to the Annual Plan, except that no public consultation will be necessary prior to submission of the request.
- C. All funds programmed for MTW purposes will be recorded and drawn from MTW-designated line items on relevant HUD forms.

3. Vouchers funded but Not Included in the MTW Block Grant:

Funding for five-year mainstream vouchers, whether new allocations or renewals of existing vouchers, shall not be included in the MTW Block Grant.

4. Calculation of Annual Tenant Based Voucher Subsidy

- A. Initial year tenant based voucher funding provided in calendar year 2005 will be calculated as follows:
 - 1. The HAP subsidy funding calculated pursuant to the Consolidated Appropriations Act, 2005, using verified May, June, July 2004 leasing and cost data, equals \$66,718,100 [gross, prior to application of the 5.2% AAF and proration of approximately 96%].
 - 2. In addition, HUD was able to verify that HABC had abated HAP contracts worth an average of \$676,636 per month during the May-July 2004 time period. Therefore HUD will provide an additional amount of subsidy to cover units that are become compliant under HQS. The additional amount to cover abated HAP for calendar year 2005 equals \$8,119,628 [gross, prior to application of the 5.2% AAF and proration of approximately 96%].
 - 3. The administrative fee calculated pursuant to the Consolidated Appropriations Act, 2005 equals \$5,968,815 [gross, prior to proration of approximately 99.4%]
 - 4. The net total funding for HABC, after the application of the AAF and proration, is \$75,514,773 in HAP and \$5,935,628 in administrative fees for a total of \$81,450,401. This equals the initial year funding amount that will be adjusted according adjustments detailed in B. below.
- B. Funding for tenant based voucher assistance in the second year of this agreement will be based on the initial year funding -- "the baseline" -- and will be adjusted

annually commensurate with adjustments to annual appropriations for the tenant-based voucher program. For instance, if Congress provides the tenant based voucher program with an increase in 2006 of 3%, HABC's 2006 allocation for tenant-based funding will be the 2005 baseline amount inflated by 3%.

- C. HABC's MTW funding for tenant based voucher assistance shall be based solely on dollars and not units.
- D. If HABC receives incremental tenant-based funding, HABC must decide to either apply the incremental funding to their MTW block grant or to keep the incremental funding separate, as provided by law. In some cases, incremental funding may not be eligible for inclusion in the block grant as may be dictated by law.
- E. All tenant-based voucher funding provided by HUD (not listed under number 3 above or otherwise prohibited by law) in the initial year and subsequent years under this MTW agreement may be eligible for inclusion in the MTW flexible block grant.

5. Administrative Fees & Family Self Sufficiency

HABC will receive administrative fees to administer its voucher program and Family Self Sufficiency funding in accordance with laws and regulations in effect.

6. Program Reserve

- 1) An amount equal to the PHA's entire ACC Project Account Reserve as of December 31, 2004 will be made available to the PHA for use as for all MTW eligible activities, including resources needed to address existing consent decrees. This is a one-time provision of program reserves provided at the beginning of the PHA's MTW program and shall not be replenished by HUD during the term of the MTW program.

There will be no year-end settle-up of annual funds provided for MTW tenant based assistance. All funds provided through this calculation will remain available for authorized purposes.

HABC MOVING TO WORK DEMONSTRATION AGREEMENT
Attachment B

MTW ANNUAL PLAN AND REPORT ELEMENTS

ANNUAL PLAN	ANNUAL REPORT
<p>I. HOUSEHOLDS SERVED</p> <p>A. Number and characteristics of households served at beginning of period, by:</p> <ul style="list-style-type: none"> - unit size - family type (family vs. elderly or disabled) - income group (<30; 30-50; 50-80;>80) - housing type (LRPH; leased, other) - race & ethnicity <p>B. Identify number and characteristics of households on waiting lists (all housing types). Discuss waiting list issues and proposed actions</p> <p>C. Number projected to be served at end of period</p> <p>D. Narrative discussion/explanation of change</p>	<p>I. HOUSEHOLDS SERVED</p> <p>A. Number served: plan vs actual by</p> <ul style="list-style-type: none"> - unit size - family type - income group - program/housing type - race & ethnicity <p>B. Changes in tenant characteristics</p> <p>C. Changes in waiting list numbers and characteristics</p> <p>D. Narrative discussion/ explanation of difference</p>
<p>II. OCCUPANCY POLICIES</p> <p>A. Statement of policies governing eligibility, selection, admissions, assignment, and occupancy of families, including the admissions policy under section 16(a)(3)(B) for deconcentration of lower-income families</p> <p>B. Statement of Rent Policy</p>	<p>II. OCCUPANCY POLICIES</p> <p>A. Changes in concentration of lower-income families, by program</p> <p>B. Changes in Rent Policy, if any</p> <p>C. Narrative discussion/explanation of change</p>

ANNUAL PLAN	ANNUAL REPORT
<p>III. CHANGES IN THE HOUSING STOCK</p> <p>A. Number of units in inventory at beginning of period by program (LRPH, leased, other)</p> <p>B. Projected number at end of period by program</p>	<p>III. CHANGES IN THE HOUSING STOCK</p> <p>A. Number of units in inventory by program: planned vs actual</p> <p>B. Narrative discussion/explanation of difference</p>
<p>IV. SOURCES AND AMOUNTS OF FUNDING</p> <p>A. Identify/discuss all sources and amounts of funding included in consolidated budget statement</p> <p>B. Identify/discuss sources, amounts, and planned uses of special purpose funds outside the consolidated budget (e.g., DEG)</p> <p>C. Consolidated Budget Statement</p>	<p>IV. SOURCES AND AMOUNTS OF FUNDING</p> <p>A. Planned vs actual funding amounts</p> <p>B. Narrative discussion/explanation of difference</p> <p>C. Consolidated Financial Statement</p>
<p>V. USES OF FUNDS</p> <p>A. Previous year expenditures by line item</p> <p>B. Planned expenditures by line item</p> <p>C. Description of proposed activities/investments by line item/explanation of change from previously approved plan</p> <p>D. Reserve balance at beginning of year. Discuss adequacy of reserves</p>	<p>V. USES OF FUNDS</p> <p>A. Budgeted vs actual expenditures by line item</p> <p>B. Narrative/explanation of difference</p> <p>C. Reserve balance at end of year. Discuss adequacy of reserves</p>

ANNUAL PLAN	ANNUAL REPORT
VI. CAPITAL PLANNING A. Describe major capital needs and projects, estimated costs, and proposed timetables B. Identify planned expenditures C. Demolition and Disposition Requests, if planned D. Homeownership activities, if any	VI. CAPITAL PLANNING A. Planned vs actual expenditures by property B. Narrative discussion/explanation of difference

VII. MANAGEMENT INFORMATION FOR OWNED/MANAGED UNITS	
A. VACANCY RATES 1. Vacancy rates by property beginning of period 2. Narrative: issues and proposed actions 3. Target rates by property at end of period	A. VACANCY RATES 1. Target vs. actual vacancies by property 2. Narrative/explanation of difference
B. RENT COLLECTIONS 1. Rents Uncollected (%) beginning of period 2. Narrative: issues and proposed actions 3. Target % at end of period	B. RENT COLLECTIONS 1. Target vs. actual collections 2. Narrative/explanation of difference

ANNUAL PLAN	ANNUAL REPORT
C. WORK ORDERS <ol style="list-style-type: none"> Response rates beginning of period <ul style="list-style-type: none"> % emergency within 24 hrs % regular within 30 days Narrative: issues and proposed actions Target rates at end of period 	C. WORK ORDERS <ol style="list-style-type: none"> Target vs. actual response rates Narrative/explanation of difference
D. INSPECTIONS <ol style="list-style-type: none"> Description of inspection strategy Planned inspections (% this FY) 	D. INSPECTIONS <ol style="list-style-type: none"> Planned vs. actual inspections completed Narrative/discussion of difference Results of independent PHAS inspections
E. SECURITY <ol style="list-style-type: none"> Narrative: security issues and proposed actions 	E. SECURITY <ol style="list-style-type: none"> Narrative: planned vs. actual actions/explanation of difference

VIII. MANAGEMENT INFORMATION FOR LEASED HOUSING	
A. LEASING INFORMATION <ol style="list-style-type: none"> Units under lease (%) beginning of period Target lease up rate at end of period Plans regarding: <ul style="list-style-type: none"> Ensuring rent reasonableness Expanding housing opportunities Deconcentration of low-income families Issues and proposed actions 	A. LEASING INFORMATION <ol style="list-style-type: none"> Target vs. actual lease ups at end of period Information and Certification of Data on Leased Housing Management, including: <ul style="list-style-type: none"> Ensuring rent reasonableness Expanding housing opportunities Deconcentration of low-income families Narrative/explanation of differences

ANNUAL PLAN	ANNUAL REPORT
<p>B. INSPECTION STRATEGY</p> <p>1. Description of inspection strategy, including:</p> <ul style="list-style-type: none"> a) Planned inspections completed (% this FY) by category: <ul style="list-style-type: none"> * Annual HQS inspections * Pre-contract HQS inspections * HQS Quality Control Inspections b) HQS Enforcement 	<p>B. INSPECTION STRATEGY</p> <p>1. Results of strategy, including:</p> <ul style="list-style-type: none"> a) Planned vs. actual inspections completed by category: <ul style="list-style-type: none"> * Annual HQS inspections * Pre-contract HQS inspections * HQS Quality Control Inspections b) HQS Enforcement <p>2. Narrative/discussion of difference</p>
<p>IX. RESIDENT PROGRAMS</p> <p>1. Description of activities</p> <p>2. Issues and proposed actions</p>	<p>IX. RESIDENT PROGRAMS</p> <p>1. Narrative: planned vs. actual actions/ explanation of difference</p> <p>2. Results of latest PHAS Resident Survey, or equivalent as determined by HUD.</p>
<p>X. OTHER INFORMATION AS REQUIRED BY HUD</p>	
<p>A. Board Resolution</p> <ul style="list-style-type: none"> • Adopting Plan • Certifying that Public Hearing Requirements were met <p>B. Required Certifications and other submissions from which the Agency is not exempted by the MTW Agreement</p> <p>C. Submissions required for the receipt of funds</p>	<p>A. Results of latest completed 133 Audit, (including program-specific OMB compliance supplement items, as applicable to the HA's Agreement)</p> <p>B. Required Certifications and other submissions from which the Agency is not exempted by the MTW Agreement</p> <p>C. Submissions required for the receipt of funds</p>

MTW Cumulative Benchmarks

[illegible]

HABC MOVING TO WORK DEMONSTRATION AGREEMENT Attachment D

Good Cause Justification for Alternate System of Procurement

Good Cause Justification for authorization to use an alternate system of procurement as outlined in Section IX of the Moving to Work (MTW) Agreement.

Good Cause Justification for Provision IX.A

Subject to HUD approval, HABC proposes to test the use of a competitive qualification-based procurement method to procure construction services and other scopes of work with design specifications. The discretionary use of this procurement method will (i) primarily impact HABC's procurement of general contractors for various construction related projects, including, among others, demolition projects, and (ii) expand the applicability and use of the competitive qualification-based procurement method for construction and other detailed design projects (e.g., with specifications that precisely describe the work such as certain dimensions, tolerances and material types). See 24 CFR § 85.36(d) (3). Consistent with the vision for the Moving To Work ("MTW") statute and the overarching goals of HABC's MTW Agreement, HABC believes that the use of the competitive qualification-based procurement method for such projects will result in substantial cost savings to HABC, without limiting competition.

As stated in 24 CFR § 85.36(d)(2), the "preferred method" for procuring construction services is through the use of the sealed bids method of procurement. However, the regulation does not prohibit the use of a competitive qualification-based procurement method for procuring construction services. It is our goal to position HABC so that the use of the competitive qualification-based procurement method is at HABC's discretion, similar to the selection of other procurements methods. By using the competitive qualification-based method for construction services, HABC will have the opportunity to drill down into a bidder's relevant qualifications and experience, and negotiate a price most advantageous to HABC. The end result is the selection of a highly qualified and experienced contractor at a competitive price.

The use of the competitive qualification-based procurement method for construction and other design specification projects is simply a different method of procurement and will in no way limit competition. This procurement method is more consistent with private sector business practice and, as such, we believe will attract a higher caliber of contractors. HABC wishes to demonstrate that the implementation of a private sector business model will result in improved operating effectiveness and efficiency. HABC will continue to publicize such procurements to the public in an effort to reach a very broad range of potential respondents. HABC believes the monetary savings obtained by broadening the use of the competitive qualification-based procurement method will be substantial.

Historically, HABC has expended significant additional administrative costs and manpower associated with doing business with contractors selected on the basis of the

lowest responsive and responsible bid. Under that approach, HABC has had no discretion to select bidders based on reasons other than bid price. The technical responsibility check performed through the sealed bid process is a poor substitute for the in-depth evaluation of matters such as quality of staff, quality of work, and relevant experience that are evaluated and made a basis for selection in the competitive qualification-based proposals process. Notwithstanding HABC's best efforts, HABC's selection of construction contractors through the sealed bid process has in a number of instances resulted in the selection of non-performing contractors. These non-performing contractors have caused substantial increased costs to HABC because of the need to (i) use additional management staff resources to overcome poor performance, (ii) in some cases, engage legal counsel to draft correspondence relating to poor performance and to deal with litigation resulting from the contractors poor performance, (iii) respond to unjustified contract claims for additional monies, and (iv) terminate poorly performing contractors and re-procure replacement contractors.

We believe the use of high performing construction contractors obtained through a competitive qualification-based proposals process will significantly reduce costs by limiting the burdens of administering poor performing contractors through completion of their contracts. An additional critical component of the competitive proposals procurement method is the negotiation of the best price with the selected contractor. This practice is very effective in the private sector and we believe will result in substantial cost savings to HABC.

Good Cause Justification for Provision IX.B

MTW encourages qualified housing authorities to test new and creative methods of operating within their local communities. Authorization to adopt alternative procurement processes to deliver replacement public housing units and produce and/or preserve other affordable housing resources will result in benefits for HABC's residents and the City of Baltimore without compromising competition. HABC will develop a partnership with the City of Baltimore to aggressively pursue the replacement of distressed public housing units by including the replacement of public housing in newly developed mixed-income multi-family developments funded by the City. Creating new or utilizing established City of Baltimore competitive selection processes to assign public housing subsidies and capital funds to suitable new or acquired units will enable HABC to gain access to City controlled funding, maximize HABC's development opportunities, streamline and consolidate duplicate competitive processes and attract important new partners to HABC's development activities. This creative use of a local opportunity will enable HABC to demonstrate that partnerships with local government can benefit the community while ensuring that appropriate competition and opportunities are provided.

Good Cause Justification for Provision IX.C

To effectively pursue resources and opportunities not available to housing authorities, nonprofit entities related to HABC will be utilized. These organizations are created solely to support HABC's mission. HABC believes that following a competitive process to establish contractual relationships between HABC and these HABC related nonprofits for the use of HUD funds is inappropriate. With an HABC certification that the contract

price is reasonable, that no member of HABC will derive financial benefit, that the contract will be to the benefit of both organizations and that costs will be in accordance with OMB Notice A-122 principles, a non-competitive contracting process is justified.

Good Cause Justification for Provision IX.D

HABC has had extensive experience completing major construction projects within the City of Baltimore. Based on this experience and based on issues that have arisen in pursuing these construction related efforts, HABC will utilize its discretion to develop and use its own form for construction contracts, provided that such contracts contain all applicable HUD requirements.

Good Cause Justification for Provision IX.E

Chapter 11, A.1 of the HUD Procurement Handbook identifies eight instances where housing authorities are required to obtain prior HUD approval before contracting actions are allowed. Obtaining HUD approval requires that these procurement activities be properly justified. Unfortunately, important work can be delayed if HUD staff is unable to respond to these requests promptly. As HABC will self-certify that it has complied with existing HUD or MTW authorized procurement, any action taken by HABC related to these eight instances would be fully justified and documented. As a result of this waiver, HABC will demonstrate that, through the use of this streamlined contracting process, work will be completed quicker, at a reasonable cost and within governing procurement policies.